

MONTGOMERY COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

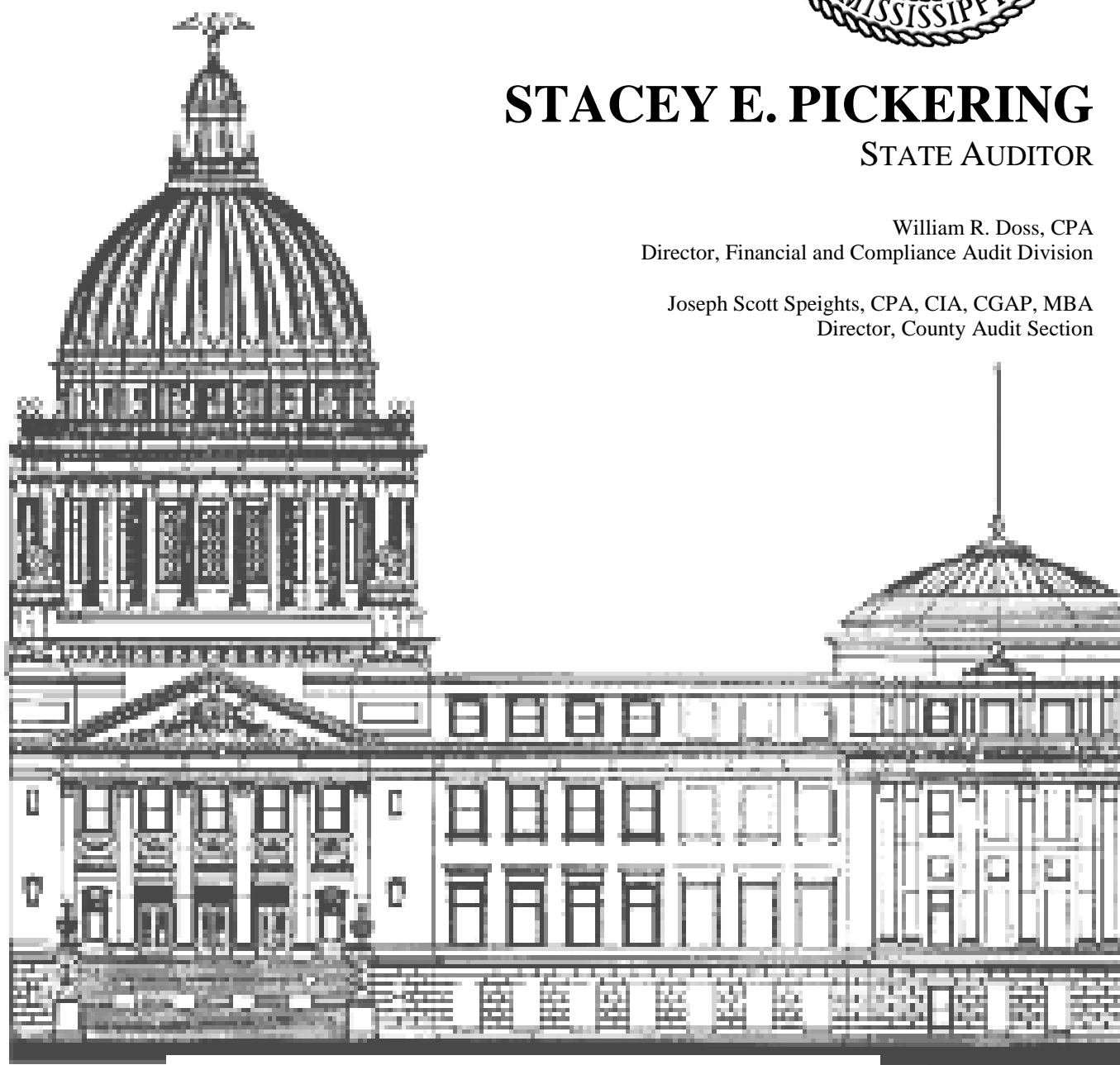


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

January 14, 2013

Members of the Board of Supervisors
Montgomery County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Montgomery County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Montgomery County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Montgomery County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MONTGOMERY COUNTY

TABLE OF CONTENTS

FINANCIAL STATEMENTS	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	6
Statement of Activities	8
Balance Sheet – Governmental Funds.....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	12
Statement of Fiduciary Assets and Liabilities	13
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	27
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	28
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Unit System Road and Bridge Maintenance Fund	29
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – State Aid Road Fund.....	30
Notes to the Required Supplementary Information	31
SUPPLEMENTAL INFORMATION	33
Reconciliation of Operating Costs of Solid Waste	34
SPECIAL REPORTS.....	35
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	39
Limited Internal Control and Compliance Review Management Report	45
SCHEDULE OF FINDINGS AND RESPONSES	49

MONTGOMERY COUNTY

FINANCIAL SECTION

MONTGOMERY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Management did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable. The fines receivable aging schedules should only include fines due to the county. The aging schedule of the Justice Court fines receivable included fees, restitution and state assessments in addition to the Justice Court fines. Also, the allowance for uncollectible fines does not appear to be reasonable based on prior history of collections. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the governmental activities and the General Fund at \$472,059, as of September 30, 2011.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Montgomery County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Montgomery County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Unit System Road and Bridge Maintenance Fund, State Aid Road Fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of Montgomery County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Montgomery County, Mississippi, has not presented Management's Discussion and Analysis, that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 14, 2013

MONTGOMERY COUNTY

FINANCIAL STATEMENTS

MONTGOMERY COUNTY

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MONTGOMERY COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 3,399,148
Property tax receivable	3,700,358
Accounts receivable (net of allowance for uncollectibles of \$145,774)	97,229
Fines receivable (net of allowance for uncollectibles of \$560,587)	472,059
Intergovernmental receivables	191,355
Other receivables	15,553
Deferred charges - bond issue cost	13,637
Capital assets:	
Land and construction in progress	651,393
Other capital assets, net	8,293,160
Total Assets	<u>16,833,892</u>
LIABILITIES	
Claims payable	108,719
Intergovernmental payables	83,839
Accrued interest payable	3,575
Deferred revenue	3,700,358
Amounts held in custody for others	3,301
Long-term liabilities	
Due within one year:	
Capital debt	181,907
Due in more than one year:	
Capital debt	948,198
Total Liabilities	<u>5,029,897</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,814,448
Restricted:	
Expendable:	
General government	168,314
Debt service	64,974
Public safety	373,190
Public works	1,676,142
Health and welfare	83,716
Unemployment compensation	13,375
Unrestricted	1,609,836
Total Net Assets	<u>\$ 11,803,995</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,019,185	317,449	16,344	42,000	(1,643,392)
Public safety	1,269,770	123,727	175,308	8,833	(961,902)
Public works	2,214,570	356,526	558,777	615,190	(684,077)
Health and welfare	219,111		31,309		(187,802)
Culture and recreation	86,094		33,728		(52,366)
Conservation of natural resources	82,514				(82,514)
Economic development and assistance	119,602				(119,602)
Interest on long-term debt	29,400				(29,400)
Total Governmental Activities	\$ 6,040,246	797,702	815,466	666,023	(3,761,055)
General revenues:					
Property taxes				\$	3,499,460
Road & bridge privilege taxes					123,498
Grants and contributions not restricted to specific programs					179,749
Unrestricted interest income					16,476
Miscellaneous					142,719
Total General Revenues					3,961,902
Changes in Net Assets					200,847
Net Assets - Beginning as previously reported					13,577,186
Prior period adjustment					(1,974,038)
Net Assets - Beginning, as restated					11,603,148
Net Assets - Ending				\$	11,803,995

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Funds				
	General Fund	Unit System Road and Bridge Maintenance Fund	State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,059,418	1,310,319	25,179	1,004,232	3,399,148
Property tax receivable	2,448,515	498,275		753,568	3,700,358
Accounts receivable (net of allowance for uncollectibles of \$145,774)				97,229	97,229
Fines receivable (net of allowance for uncollectibles of \$560,587)	472,059				472,059
Intergovernmental receivables	60,728	104,026	18,274	8,327	191,355
Other receivables	282			15,271	15,553
Due from other funds		13,094	79	18,290	31,463
Total Assets	<u>\$ 4,041,002</u>	<u>1,925,714</u>	<u>43,532</u>	<u>1,896,917</u>	<u>7,907,165</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 15,580	18,559	18,274	56,306	108,719
Intergovernmental payables	79,618				79,618
Due to other funds	35,684				35,684
Deferred revenue	2,920,574	498,275		850,797	4,269,646
Amounts held in custody for others	3,301				3,301
Total Liabilities	<u>3,054,757</u>	<u>516,834</u>	<u>18,274</u>	<u>907,103</u>	<u>4,496,968</u>
Fund balances:					
Restricted for:					
General government				154,677	154,677
Public safety				373,190	373,190
Public works		1,408,880	25,258	157,616	1,591,754
Health and welfare				83,716	83,716
Debt service				68,549	68,549
Unemployment compensation				13,375	13,375
Committed to:					
Public works				109,239	109,239
Assigned to:					
Culture and recreation				42,293	42,293
Unassigned	986,245			(12,841)	973,404
Total Fund Balances	<u>986,245</u>	<u>1,408,880</u>	<u>25,258</u>	<u>989,814</u>	<u>3,410,197</u>
Total Liabilities and Fund Balances	<u>\$ 4,041,002</u>	<u>1,925,714</u>	<u>43,532</u>	<u>1,896,917</u>	<u>7,907,165</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,410,197
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,563,457.	8,944,553
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	569,288
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,130,105)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(3,575)
Deferred charges - bond issuance costs	<u>13,637</u>
Total Net Assets - Governmental Activities	\$ <u><u>11,803,995</u></u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds			Other	Total
	General	Unit System	State Aid	Governmental	Governmental
	Fund	Road and Bridge	Road	Funds	Funds
		Maintenance Fund	Fund		
REVENUES					
Property taxes	\$ 2,316,358	482,417		700,685	3,499,460
Road and bridge privilege taxes		123,498			123,498
Licenses, commissions and other revenue	130,349			3,823	134,172
Fines and forfeitures	114,896				114,896
Intergovernmental revenues	333,026	504,854	638,290	185,068	1,661,238
Charges for services		72,167		468,373	540,540
Interest income	9,097	4,132	79	3,168	16,476
Miscellaneous revenues	86,809	20,423		22,723	129,955
Total Revenues	<u>2,990,535</u>	<u>1,207,491</u>	<u>638,369</u>	<u>1,383,840</u>	<u>6,220,235</u>
EXPENDITURES					
Current:					
General government	1,836,006			176,848	2,012,854
Public safety	772,087			465,632	1,237,719
Public works	14,340	1,303,936	638,747	766,372	2,723,395
Health and welfare	115,438			154,368	269,806
Culture and recreation	12,000			74,094	86,094
Conservation of natural resources	82,514				82,514
Economic development and assistance	94,634				94,634
Debt service:					
Principal	24,877			134,143	159,020
Interest	4,343			33,028	37,371
Total Expenditures	<u>2,956,239</u>	<u>1,303,936</u>	<u>638,747</u>	<u>1,804,485</u>	<u>6,703,407</u>
Excess of Revenues over (under) Expenditures	<u>34,296</u>	<u>(96,445)</u>	<u>(378)</u>	<u>(420,645)</u>	<u>(483,172)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				305,000	305,000
Proceeds from sale of capital assets	29,000				29,000
Transfers in				127,848	127,848
Transfers out	(101,477)			(26,371)	(127,848)
Total Other Financing Sources and Uses	<u>(72,477)</u>	<u>0</u>	<u>0</u>	<u>406,477</u>	<u>334,000</u>
Net Changes in Fund Balances	<u>(38,181)</u>	<u>(96,445)</u>	<u>(378)</u>	<u>(14,168)</u>	<u>(149,172)</u>
Fund Balances - Beginning as previously reported	385,995	1,505,325	25,636	1,642,413	3,559,369
Prior period adjustments	638,431			(638,431)	0
Fund Balances - Beginning, as restated	<u>1,024,426</u>	<u>1,505,325</u>	<u>25,636</u>	<u>1,003,982</u>	<u>3,559,369</u>
Fund Balances - Ending	<u>\$ 986,245</u>	<u>1,408,880</u>	<u>25,258</u>	<u>989,814</u>	<u>3,410,197</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (149,172)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$868,227 exceeded depreciation of \$370,421 in the current period.	497,806
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$12,764 and the proceeds from the sale of \$29,000 in the current period.	(16,236)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	3,363
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	4,731
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$305,000 exceeded debt repayments of \$159,020.	(145,980)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Decrease in accrued interest payable.	7,971
Amortization of bond issuance cost	<u>(1,636)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>200,847</u></u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 920
Due from other funds	4,221
Total Assets	\$ <u>5,141</u>
LIABILITIES	
Intergovernmental payables	\$ 5,141
Total Liabilities	\$ <u>5,141</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY

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Montgomery County

Notes to the Financial Statement For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Montgomery County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Montgomery County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Tyler Holmes Hospital
- East Montgomery County Hospital
- Montgomery County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Montgomery County

Notes to the Financial Statement For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Unit System Road and Bridge Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

State Aid Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for state aid road projects.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Montgomery County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Montgomery County

Notes to the Financial Statement For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Montgomery County

Notes to the Financial Statement For the Year Ended September 30, 2011

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the county's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Assistant Comptroller,

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct errors in capital assets, net.	\$ (1,974,038)

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To reclassify the Interest Account Fund and the Reappraisal Escrow Fund from the Other Governmental Funds to the General Fund:	
General Fund	\$ 638,431
Other Governmental Fund	(638,431)
Total	\$ 0

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$3,400,068 and the bank balance was \$3,962,050. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Unit System Road and Bridge		\$
Maintenance Fund	General Fund	13,094
State Aid Road Fund	General Fund	79
Other Governmental Funds	General Fund	18,290
Agency Funds	General Fund	4,221
Total		\$ 35,684

The receivables represent the tax revenue collected but not settled until October, 2011 and interest income that should be allocated from the general fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 101,477
Other Governmental Funds	Other Governmental Funds	26,371
Total		\$ 127,848

The principal purpose of interfund transfers was to provide funds for operating expenses and to cover expenses of other funds and to provide for debt service requirements. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 46,797
Motor vehicle fuel tax	26,337
Welfare reimbursement	2,828
State aid road reimbursement	18,274
Timber severance tax	226
Youth Court	1,059
Tourism tax	2,424
Town of Kilmichael – EOC – payroll reimbursement	792
City of Winona – EOC – payroll reimbursement	4,461
Town of Duck Hill – EOC – payroll reimbursement	650
City of Winona – materials and payroll reimbursement	72,167
Violence Against Women Grant	5,384
Other revenue	9,956
Total Governmental Activities	\$ 191,355

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 227,123		16,236	1,236	212,123
Construction in progress	3,376,713	692,041		(3,629,484)	439,270
Total non-depreciable capital assets	3,603,836	692,041	16,236	(3,628,248)	651,393
<u>Depreciable capital assets:</u>					
Infrastructure	4,362,787			1,147,000	5,509,787
Buildings	5,144,402			507,210	5,651,612
Mobile equipment	3,141,581	167,686			3,309,267
Furniture and equipment	377,451	8,500			385,951
Total depreciable capital assets	13,026,221	176,186	0	1,654,210	14,856,617
<u>Less accumulated depreciation for:</u>					
Infrastructure	579,921	162,976			742,897
Buildings	3,137,460	42,977			3,180,437
Mobile equipment	2,108,023	160,240			2,268,263
Furniture and equipment	367,632	4,228			371,860
Total accumulated Depreciation	6,193,036	370,421	0	0	6,563,457
Total depreciable capital assets, net	6,833,185	(194,235)	0	1,654,210	8,293,160
Governmental activities capital assets, net	\$ 10,437,021	497,806	16,236	(1,974,038)	8,944,553

* The adjustments are to transfer completed construction in progress to infrastructure and correct prior year capitalization errors.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 4,695
Public safety	40,551
Public works	286,914
Health and welfare	13,293
Economic development	24,968
Total governmental activities depreciation expense	\$ 370,421

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
LSBP-49(10)	\$ 305,000	07/2012
Paving Miers Road	128,000	09/2012
Paving Dividing Ridge	56,000	09/2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Coliseum stalls	\$ 175,000	4.25%	10/2022
DHS Justice Court building	378,000	4.10%	03/2024
Total General Obligation Bonds	\$ 553,000		
B. Other Loans:			
MDA Cap Loan – Multi-purpose building	\$ 58,096	3.00%	07/2014
MDA Cap Loan – Mental health building	68,129	3.00%	05/2022
Bridge construction loan	145,880	3.25%	05/2013
E-911 loan	305,000	1.99%	08/2016
Total Other Loans	\$ 577,105		

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 23,000	15,027	158,907	14,097
2013	37,000	21,224	157,682	9,899
2014	37,000	19,688	83,776	5,588
2015	39,000	18,110	68,207	3,950
2016	42,000	16,428	69,627	2,529
2017 – 2021	232,000	54,394	33,946	3,350
2022 – 2026	143,000	8,153	4,960	56
Total	\$ 553,000	153,024	577,105	39,469

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 1.96% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 627,000		74,000		553,000	23,000
Other loans	357,125	305,000	85,020		577,105	158,907
Total	\$ 984,125	305,000	159,020	0	1,130,105	181,907

(10) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2011:

Fund	Deficit Amount
Garbage and Solid Waste	\$ 12,841

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

(12) Joint Venture.

The county participates in the following joint venture:

Montgomery County is a participant with the City of Winona in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Winona-Montgomery County Airport Authority. The joint venture was created to construct, manage, control and operate the Winona-Montgomery County Airport and it governed by a five-member board of commissioners appointed as follows: Montgomery County, two; City of Winona, two; jointly, one. By contractual agreement, all costs of the airport shall be borne equally by both parties. The county paid \$14,385 for maintenance and support of the airport in fiscal year 2011. Financial statements for the Winona-Montgomery County Airport Authority were not available.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Montgomery County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$22,598 for support of the center in fiscal year 2011.

North Central Planning and Development District operates in a district composed of the counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Montgomery County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$30,084 for the maintenance and support of the district in fiscal year 2011.

Homes Community College operates in a district composed of the counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Montgomery County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$115,934 for maintenance and support of the college in fiscal year 2011.

Mid-Mississippi Regional Library System operates in a district composed of the counties of Attala, Holmes, Leake, Montgomery and Winston. The Montgomery County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$136,677 for maintenance and support of the library in fiscal year 2011.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Montgomery County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not appropriate for maintenance and support of the authority in fiscal year 2011.

(14) Defined Benefit Pension Plan.

Plan Description. Montgomery County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Montgomery County

Notes to the Financial Statement
For the Year Ended September 30, 2011

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$209,288, \$206,390 and \$197,510, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Montgomery County evaluated the activity of the county through January 14, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
06/12/2012	3.00%	\$ 320,173	Other Loan	Rental Income and General Revenues

MONTGOMERY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,329,939	2,307,384	2,307,384	
Licenses, commissions and other revenue	119,941	97,215	97,215	
Fines and forfeitures	157,222	114,896	114,896	
Intergovernmental revenues	268,614	270,468	270,468	
Interest income	35,000	16,652	16,652	
Miscellaneous revenues	151,567	206,000	206,000	
Total Revenues	<u>3,062,283</u>	<u>3,012,615</u>	<u>3,012,615</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,943,095	1,998,741	1,998,741	
Public safety	810,924	706,095	706,095	
Public works	15,938	14,385	14,385	
Health and welfare	134,574	123,557	123,557	
Culture and recreation	21,754	21,753	21,753	
Conservation of natural resources	81,169	81,604	81,604	
Economic development and assistance	94,734	94,634	94,634	
Total Expenditures	<u>3,102,188</u>	<u>3,040,769</u>	<u>3,040,769</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(39,905)</u>	<u>(28,154)</u>	<u>(28,154)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		29,000	29,000	
Transfers in	281,136			
Transfers out	(449,289)	(128,477)	(128,477)	
Total Other Financing Sources and Uses	<u>(168,153)</u>	<u>(99,477)</u>	<u>(99,477)</u>	<u>0</u>
Net Change in Fund Balance	(208,058)	(127,631)	(127,631)	0
Fund Balances - Ending	<u>285,000</u>	<u>955,472</u>	<u>955,472</u>	<u>0</u>
Fund Balances - Ending	\$ <u>76,942</u>	<u>827,841</u>	<u>827,841</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Unit System Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 478,411	479,441	479,441	
Road and bridge privilege taxes	106,000	145,722	145,722	
Intergovernmental revenues	496,000	483,227	483,227	
Miscellaneous revenues	6,500	20,423	20,423	
Total Revenues	<u>1,086,911</u>	<u>1,128,813</u>	<u>1,128,813</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>1,136,911</u>	<u>1,291,086</u>	<u>1,291,086</u>	
Total Expenditures	<u>1,136,911</u>	<u>1,291,086</u>	<u>1,291,086</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(50,000)</u>	<u>(162,273)</u>	<u>(162,273)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>			
Total Other Financing Sources and Uses	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance		(162,273)	(162,273)	0
Fund Balances - Beginning	<u>1,200,000</u>	<u>1,472,592</u>	<u>1,472,592</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,200,000</u>	<u>1,310,319</u>	<u>1,310,319</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MONTGOMERY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Road Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 125,000	118,651	118,651	
Total Revenues	<u>125,000</u>	<u>118,651</u>	<u>118,651</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	125,000	119,108	119,108	
Total Expenditures	<u>125,000</u>	<u>119,108</u>	<u>119,108</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(457)</u>	<u>(457)</u>	<u>0</u>
Net Change in Fund Balance	0	(457)	(457)	0
Fund Balances - Beginning	<u>0</u>	<u>25,636</u>	<u>25,636</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>25,179</u>	<u>25,179</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MONTGOMERY COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	Unit System Maintenance Fund	State Aid Road Fund
	<u> </u>	<u> </u>	<u> </u>
Budget (Cash Basis)	\$ (127,631)	(162,273)	(457)
Increase (Decrease)			
Net adjustments for revenue accruals	(88,022)	78,678	(5,134)
Net adjustments for expenditure accruals	<u>177,472</u>	<u>(12,850)</u>	<u>5,213</u>
GAAP Basis	\$ <u><u>(38,181)</u></u>	<u><u>(96,445)</u></u>	<u><u>(378)</u></u>

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SUPPLEMENTAL INFORMATION

MONTGOMERY COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2011

Operating Expenditures, Cash Basis:

Salaries	\$ 28,150
Solid waste disposal fee	333,289
Supplies	<u>5,107</u>
Solid Waste Cash Basis Operating Expenditures	<u>366,546</u>

Full Cost Expenses:

Indirect administrative costs	<u>9,287</u>
Solid Waste Full Cost Operating Expenses	<u><u>\$ 375,833</u></u>

MONTGOMERY COUNTY

SPECIAL REPORTS

MONTGOMERY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Montgomery County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 14, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. Our report includes a qualified opinion on the Governmental Activities and the General Fund because the county did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable and did not establish an adequate allowance for uncollectible fines. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Montgomery County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1, 11-2, 11-3, 11-4, 11-5 and 11-6 to be material weaknesses.

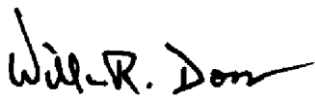
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Montgomery County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated January 14, 2013, included within this document.

Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Montgomery County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 14, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Montgomery County, Mississippi

We have examined Montgomery County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Montgomery County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Montgomery County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

1. Controls over capitalization of state aid road projects should be strengthened.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. Capital asset control procedures were inadequate for maintaining adequate subsidiary records documenting amounts to be capitalized for state aid roads and bridges. As a result, multiple construction in progress expenditures for state aid projects were capitalized in the current year and prior year when they should have been classified as maintenance expenditures.

Recommendation

The Inventory Control Clerk should implement a system to ensure that only state aid road projects that meet criteria for capitalization are included in the capital asset records.

Inventory Control Clerk's Response

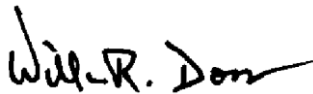
A system will be maintained to ensure that asset values are correct.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Montgomery County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Montgomery County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Montgomery County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 14, 2013

MONTGOMERY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
06/22/11	2006 Mack Truck	\$ 48,500	Southern Trucks	\$ 42,000	This truck accepted as best bid because other model trucks have emission problems.

MONTGOMERY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

MONTGOMERY COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

MONTGOMERY COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Montgomery County, Mississippi

In planning and performing our audit of the financial statements of Montgomery County, Mississippi for the year ended September 30, 2011, we considered Montgomery County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Montgomery County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 14, 2013, on the financial statements of Montgomery County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. Collateral reports should be filed and reconciled.

Finding

Section 27-105-5(6)(b), Miss. Code Ann. (1972), states that not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. The Chancery Clerk did not send the required annual reports of its deposit accounts by bank to the State Treasurer's Office by October 31, nor is the county reconciling the State Treasurer Collateral Sufficiency reports to the county's cash balances. As a result, the collateral reserved by the State Treasurer may not be sufficient for Montgomery County's cash balances.

Recommendation

The Chancery Clerk should send an annual report of its deposit accounts to the State Treasurer's Office no later than October 31st and should reconcile the State Treasury Collateral Sufficiency reports to the county's cash balances.

Chancery Clerk's Response

An annual report will be sent to the State Treasurer's office no later than October 31st on each of the County's deposit accounts, in order to reconcile the State Treasury Collateral Sufficiency reports to the County's cash balances.

2. Contract for preservation of records should specify duties to be performed.

Finding

Section 19-15-1, Miss. Code Ann. (1972), gives the county the authority to contract with the Chancery Clerk for preservation of records. The contract with the Chancery Clerk should specify the duties to be performed. The county does not have a contract with the Chancery Clerk for the preservation of records. The Chancery Clerk has been paid \$4,200 during the year for the restoration of records. Failure to document the specific duties to be performed for preservation of records in a contract could result in excess costs to the county.

Recommendation

If the County wants the Chancery Clerk to perform the duties of record preservation, the Board of Supervisors should enter into a contract with the Chancery Clerk which specifies the duties to be performed.

Chancery Clerk's Response

A contract will be prepared and placed in the minutes that defines the work to be performed and the pay for restoration of records.

3. Interest income should be recorded in the fund that earned the interest.

Finding

Section 19-9-29, Miss. Code Ann. (1972) states when such bonds or other obligations are sold or redeemed, the proceeds thereof, including accrued interest thereon, shall be paid into the same fund as that from which the investment was made and shall in all respects be dealt with as are other monies in such fund. Any interest derived from investment of other bond proceeds or from investment of any bond and interest fund, bond reserve fund or bond redemption sinking fund shall be deposited either in the same fund from which the investment was made or in the bond and interest fund established for payment of the principal or interest on the bonds. Any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. The County did not record interest into the funds from which it was earned. Failure to properly record interest revenue resulted in an overstatement of revenues in the general fund and an understatement of revenue in the other funds.

Recommendation

The Chancery Clerk should implement necessary procedures to ensure that interest income is recorded in the fund in which the interest is earned.

Chancery Clerk's Response

We will implement procedures to ensure that interest income is recorded in the fund in which the interest is earned.

Sheriff.

4. Controls over cash collections and disbursements in the Sheriff's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Sheriff's office are not adequately segregated for effective internal control. One person receipts funds, prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

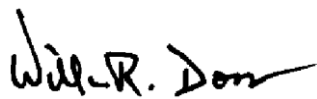
The Sheriff should implement a system for review of the accounting records by another person.

Sheriff's Response

A system will be implemented for review of my accounting records.

Montgomery County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 14, 2013

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MONTGOMERY COUNTY

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MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Unit System Road and Bridge Maintenance Fund	Unqualified
State Aid Road Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified that is not considered to be a material weakness? None Reported
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. Discretely presented component units should be included in the county's financial statements.

Finding

Generally accepted accounting principles require the financial data of the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors' should provide the audited financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

Due to the size of Montgomery County, it is not feasible to include these component units as part of the County's financial statements.

MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Chancery Clerk.

Material Weakness

- 11-2. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collections and disbursement functions are not adequately segregated for effective internal control. One employee receipts cash, prepares deposit slips, posts to the detail general ledger, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording of funds and reconciling of accounts should be properly segregated.

Chancery Clerk's Response

As Chancery Clerk, I will assist my bookkeeper in performing some of these duties.

Circuit Clerk.

Material Weakness

- 11-3. Controls over cash collections and disbursements in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Circuit Clerk's office are not adequately segregated for effective internal control. The Circuit Clerk receipts cash, posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

With only two (2) individuals in this office, it is impossible to completely segregate responsibilities; however, as much as possible, we try to do so. As much as possible, my deputy clerk receipts and deposits the funds coming into this office. When making a deposit, she prints a "Deposit Report" which lists, among other things, a receipt number, the payor of the funds received and the amount of each payment. I then print a "Cash Journal" which lists, among other things, a receipt number, the payor of the funds received, the amount of each payment received, and breaks the funds down, i.e., clerk's fees, law library, copies, record search, etc. The "Report Total" on the Deposit Report and the "Ending Balance" on the Cash Journal must be the same. My deputy clerk has limited access in our system and does not have access to the "Cash Journal".

MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Tax Collector.

Material Weakness

- 11-4. Controls over cash collections and disbursements in the Tax Collector's office should be strengthened.

Finding

An effective system of internal control should include an adequate segregation of duties. Cash collection and disbursement functions in the Tax Collector's office are not adequately segregated for effective internal control. The Tax Collector receipts cash, prepares deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate segregation of duties could result in the loss of public funds.

Recommendation

The Tax Collector should implement a system for review of the accounting records by another person.

Tax Collector's Response

The office is short of staff; however I will comply to the best of my ability.

Inventory Control Clerk.

Material Weakness

- 11-5. Controls over capitalization of state aid road projects should be strengthened.

Finding

An effective system of internal control over the inventory system should include the maintenance of adequate subsidiary records documenting amounts to be capitalized for state aid roads and bridges. Multiple construction in progress expenditures for state aid road projects were capitalized in the current year and the prior year when they should have been classified as maintenance expenditures. As a result, large adjustments were necessary to correct the balance of the county's inventory records. Adjustments to correct these errors were proposed and made to the financial statements with management's approval. The failure to maintain an effective inventory control system could result in reporting inaccurate amounts for capital assets in the financial statements.

Recommendation

The Inventory Control Clerk should implement procedures to ensure that only state aid road projects that meet criteria for capitalization are included in the capital asset records.

Inventory Control Clerk's Response

Procedures will be implemented to ensure that accurate inventory records are maintained.

MONTGOMERY COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2011

Justice Court Clerk.

Material Weakness

- 11-6. Controls over fines receivable aging reports in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control over the accounting of fines receivable should include maintaining an accurate schedule of fines due to the county and a reasonable allowance for uncollectible fines. The Justice Court Clerk's aging schedule of fines receivable should only include Justice Court fines due to the county. The aged schedule of the Justice Court Clerk's fines receivable included clerk's fees, restitution and state assessments along with Justice Court fines. The inclusion of these fees, restitution and assessments in the fines receivable aging schedule could materially misstate the fines receivable amount that is reported in the county's financial statements. Also, the allowance for uncollectible fines does not appear to be reasonable based on prior history of collections. Therefore, the Independent Auditor's Report is qualified on the Governmental Activities and the General Fund because we were not able to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net.

Recommendation

The Justice Court Clerk should ensure that only fines are reflected in the account balances shown on the aging schedule of fines receivable and that the allowance for uncollectible fines is reasonable.

Justice Court Clerk's Response

I was shown the correct way to run report and will do it the correct way from now on.